South Korea – Canada/BC Trade Relationship

By Bill Buliziuk

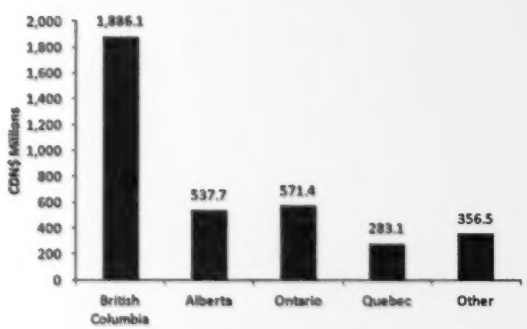
South Korea and Canada have been pursuing a free trade agreement

Since July 2005, Canada and South Korea have been actively seeking a free trade agreement in hopes that both countries will enjoy increased economic benefits from the deal. Given BC's prominence in terms of exports to South Korea, this free trade agreement would likely to have a large impact on the economy of the province.

BC's prominence in Canadian trade with South Korea

In 2010, Canada exported over $3.6 billion to South Korea. Of that amount, nearly 52 percent (approximately $1.9 billion) originated in British Columbia. The provincial disparity is highlighted by the fact that second place Ontario had just under 16 percent ($571 million) of Canada's exports to South Korea in 2010. Alberta and Quebec had respective shares of 15 percent and 8 percent.

BC was the origin of over half of Canadian exports to South Korea in 2010



Source: Statistics Canada

For the last five years, BC has consistently had the largest proportion of Canadian exports to South Korea and they have grown at an average annual rate of 10.1 percent from 2005 to 2010 ($1,167.7 million in 2005 up to $1,886.1 million in 2010). At the other end of the spectrum, Alberta has had a decrease in the proportion of Canadian exports to South Korea, with its 2005 share of 20 percent dropping down to 15 percent in 2010. This loss of share is partially due to crowding out; that is, other provinces' exports growing at a faster rate relative to Alberta. But, Alberta actually had a decrease in exports in 2010 compared to 2005 levels—from $549.5 million in 2005 to $537.7 million in 2010—suggesting that even if other provinces had no growth in exports, Alberta would still have had a declining share of exports. The other large exporter, Ontario, had much more stable growth from 2005 to 2010, at an annual average rate of 4.5 percent (from $459.0 million in exports in 2005, to $571.4 million in 2010).

Notably, the largest annual average growth rate from 2005 to 2010 belonged to Prince Edward Island at 27.5 percent. It should be noted that this large growth rate is a result of the relatively small value of exports from Prince Edward Island. In 2005, Prince Edward Island exported $1.4 million, increasing to $4.9 million in 2010 (a change of $3.5 million). Conversely, the largest decline in exports from 2005 to 2010 occurred in Nova Scotia at a loss of 8.8 percent on average per year.

Over the past five years around 80 percent of Canadian exports to South Korea originated in BC, Alberta and Ontario

Source: Statistics Canada

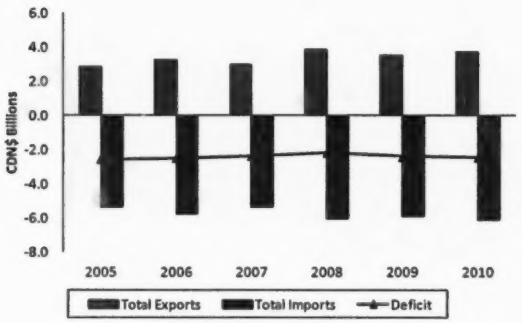
What main commodity exports originate in BC?

Given BC's resource-rich environment, it comes as no surprise that the top five exports originating from BC, in terms of value, are natural resource-based. In 2010, the top five exports from BC were coal (briquettes and similar solid fuels), aluminum and articles thereof, ores (primarily copper and zinc), pulp, and wood and articles of wood. In 2010, the value of exports of these commodity groups was $1.7 billion, a 70.7 percent increase from the same group of goods in 2005. These five commodity groups comprised almost 92 percent of BC's exports to South Korea in 2010.

Over the past five years Canada has had a trade deficit with South Korea

For the past five years (2005 to 2010), Canada has consistently had a trade deficit[1] with South Korea. Canada's exports have been trending up, recording an average annual growth rate of 5.8 percent from 2005 to 2010. In that period, exports peaked in 2008 at just over $3.7 billion, and were lowest in 2005, at just over $2.7 billion.

Canada has had a steady trade deficit with South Korea over the past five years



Source: Statistics Canada

On the import-side of the trade relationship, imports from South Korea have also been on the rise, although at a slower rate (an annual average growth rate of 2.7 percent from 2005 to 2010). In the last five years South Korea exported the most merchandise to Canada in 2010, at over $6.1 billion, while the lowest value of imports happened in 2007 at around $5.4 billion. While Canada's imports and exports to and from South Korea have both been growing, the trade deficit, on average, has fallen by 0.9 percent each year.

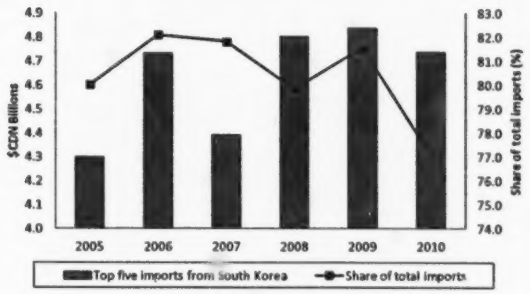
The majority of value of imports from South Korea comes from five groups of commodities

Further analysis of Canada's imports from South Korea, show that, on average, over the past five years, the top five imports are motor vehicles, and other similar vehicles, electrical or electronic machinery and equipment, machinery and mechanical appliances, iron and steel, and rubber and articles thereof. In 2010, these top imports

[1] Where trade deficit means that the value of imports from South Korea exceeds the value of Canadian exports to South Korea.

accounted for 77 percent (Over $4.7 billion) of Canada's total imports from South Korea.

Canada's top five imports from South Korea have accounted for high proportions of total imports

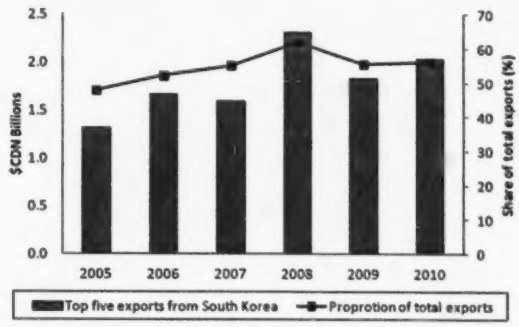


Source: Statistics Canada

Over half the value of exports to South Korea routinely comes from five commodity groups

Canada's exports to South Korea are far more proportionally diverse than its imports from South Korea. On average, over the last five years, the top five commodity groups in terms of export value were coal and other mineral fuels, pulp, ores and concentrates (copper, iron, zinc and molybdenum), aluminum and articles thereof, and nickel and articles thereof. These goods accounted for 56 percent ($2.0 billion) of the total value exported to South Korea in 2010. These five commodity groups had the highest proportion of total export value in 2008 at 61.7 percent ($2.3 billion) and their lowest proportion of value occurred in 2005 at 47.7 percent (over $1.3 billion).

Over half of Canadian exports to South Korea are from five commodity groups



Source: Statistics Canada

Closing remarks

While Canada has been running a trade deficit with South Korea, there is an upside. For the past five years, growth in Canadian exports to South Korea has outpaced that of the imports coming in from the same country. If Canada and South Korea eventually come to an agreement on a free trade deal, the value of both exports and imports could experience significant growth.